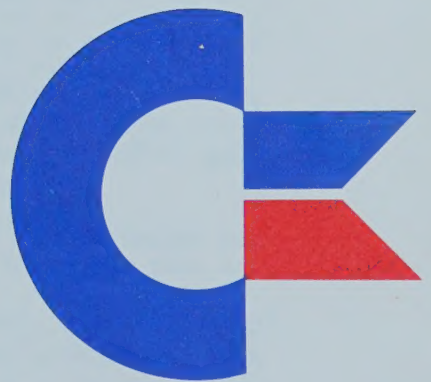


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ANNUAL REPORT

1966

COMMODORE BUSINESS MACHINES (CANADA) LIMITED

*— invited & elected
directors
directors*

Directors

- IRVING GOULD — TORONTO
Chairman of the Board
- JACK TRAMIEL — TORONTO
President
- MANFRED KAPP — TORONTO
Executive Vice-President
- THOMAS MCGOURTY — NORFOLK, CONN.
Vice-President
- DAVID PERLMUTTER CA — TORONTO
*Partner Perlmutter, Orenstein, Giddens,
Newman & Kofman, Chartered Accountants*

Officers

- IRVING GOULD
Chairman of the Board
- JACK TRAMIEL
President
- MANFRED KAPP
Secretary-Treasurer
- THOMAS MCGOURTY
Vice-President, Manufacturing
- ROBERT P. ZUPA
Vice-President, Planning and Development

Head Office 946 Warden Avenue, Scarborough, Ontario.

Operating Divisions

- Commodore Business Machines Company, Scarborough, Ontario
- Humber Typewriters & Business Equipment Ltd., Toronto, Ontario
- Belpree Co., Limited — Scarborough, Ontario
- Associated Tool & Manufacturing Ltd., Downsview, Ontario
- Pearlsound Distributors Limited, Scarborough, Ont.
- Commodore Business Machines Inc., Freeport, N.Y.
- Commodore Drycopy Inc., Freeport, N.Y.

**Transfer Agent
and Registrar** Eastern & Chartered Trust Co.
Toronto and Montreal

Auditors Rose & Harrison, Chartered Accountants — Toronto

Counsel Solomon, Singer & Solway — Toronto

Listing Canadian Stock Exchange — Montreal

The President's Message

To the Shareholders:

Your Directors are pleased to report that the reorganization and consolidation of Commodore Business Machines (Canada) Limited has been completed and that the company has emerged as a financially sound business organization based on solid corporate and managerial foundations.

Earlier this year, management took a major step towards financial consolidation by selling its German subsidiary, Willy Feiler Zaehl und Rechenwerke GmbH. This transaction was approved by the shareholders on April 6, 1966.

Solby International

Proceeds of this sale were used to pay off bank debts, to retire all funded debt and to redeem all outstanding preference shares. Also settled were all other claims previously made against Commodore. This left the company with a working capital of more than \$1,700,000, a healthy current ratio of 3 to 1 and with only \$71,240 of long term debt.

The net results of this reorganization are reflected in the accompanying balance sheet, showing assets in excess of \$3,000,000 and a net worth of \$2,109,000, which, in terms of shareholders equity, amount to \$2.02 per share.

The company has written down all intangible assets to a nominal value of \$1. In future, all intangibles will be written off in the year in which they were incurred. This does not, of course, mean that the company's intangible assets are of no value. On the contrary, some of these assets are very valuable. Notwithstanding the sale of Willy Feiler, Commodore has, for instance, retained the manufacturing rights for the electric portable typewriter which was developed at the German factory.

To ensure a continuing flow of adding machines, negotiations were initiated, even before the sale of this subsidiary was finalized, to obtain a new source for these products. Arrangements have now been completed for the manufacture of a full line of both hand and electric adding machines, as well as the electric portable typewriters. All these machines will be manufactured exclusively for Commodore. They will be made to our own specifications, under the close supervision of our technical personnel, in a modern factory which has a staff of 3,000 people, and uses the latest manufacturing techniques.

While machines from this new source will begin to reach our distributors and dealers before the end of the current year, the full impact on our sales and profits will only make itself felt in the next fiscal year.

The consolidated statement of operations reflects the results of only those subsidiaries which your company owned on June 30, 1966. Also included in that statement is a dividend received from Willy Feiler. This dividend represents earnings for that portion only of the fiscal year under review during which time it was owned by your company. Substantial administration and financial expenses were incurred by Commodore in connection with Willy Feiler, and these expenses are also included in the consolidated accounts.

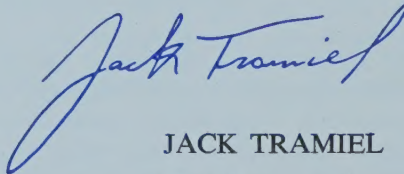
The operations of Commodore and its subsidiaries are progressing in a satisfactory manner. In Canada, the volume of orders for steel office equipment which is being produced in our Scarborough, Ontario, plant, has grown considerably. Sales of typewriters and radio-stereo equipment are making solid progress. Associated Tool & Manufacturing Company Limited shows steadily increasing sales for tools, dies and other patented manufactured products for industry. In the United States, the manufacture and distribution of the drycopy machine, the distribution of adding machines and the operation of leased office machine departments at Macy's and Bamberger's are all running smoothly.

To this picture of continuing progress must be added the promise of much additional business from the sale of typewriters and adding machines to be manufactured for us under contract. We look forward to this phase of our business with every confidence.

Mr. Irving Gould and Mr. David Perlmutter have joined your board of directors since the last meeting of shareholders. Mr. Gould brings to the company a wealth of business experience in industry through his association with various public and private companies in Canada. Mr. Perlmutter is a chartered accountant and a partner in the firm of Perlmutter, Orenstein, Giddens, Newman & Kofman.

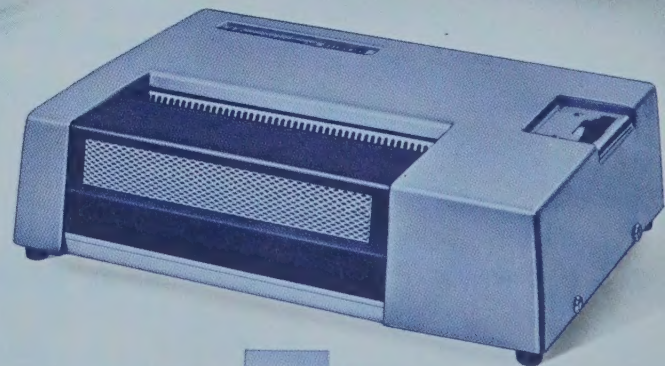
I would like to take this opportunity of thanking my fellow directors for their cooperation and encouragement, and of expressing my sincere appreciation for the untiring efforts of the company's staff and others who helped us overcome difficulties now past, and assisted in the emergence of a strong and healthy company.

On behalf of the board,

A handwritten signature in blue ink, reading "Jack Tramiel". The signature is fluid and cursive, with a large initial "J" and "T".

JACK TRAMIEL
President.

October 20, 1966.





COMMODORE BUSINESS
AND ITS WHOLLY-OWNED
(Incorporated under the la

CONSOLIDATED BALANCE
(With comparat

ASSETS

	1966	1965
CURRENT ASSETS		
Cash on Hand and on Deposit	\$ 91,882	\$ 95,138
Accounts and Notes Receivable	627,870	1,424,931
Less — Provision for Doubtful Accounts	(30,124)	(76,983)
Discounts, Rebates and Deposits Receivable (3)	275,714	52,029
Loans Receivable	13,491	55,166
Marketable Securities	—	4,671
Estimated Income Tax Refunds Receivable (10)	365,179	219,093
Prepaid Expenses and Factory Supplies	18,371	19,167
Cash Surrender Value — Life Insurance	4,700	—
Merchandise Inventory (At Lower of Cost or Market)	1,218,309	2,336,461
	<u>2,585,392</u>	<u>4,129,673</u>
 INVESTMENTS AND ADVANCES (2)		
Investment in Other Corporations	1	470,700
Advances to Other Corporations	—	611,019
Mortgage Receivable — 7% Due May 19, 1968	—	82,500
	<u>1</u>	<u>1,164,219</u>
 FIXED ASSETS		
Land — Cost	11,532	34,801
— Excess of Appraised Value Over Cost —		
— Appraised April 23, 1965 by M. Goldman Real Estate Limited	63,161	63,161
Buildings — Cost	71,674	343,358
Tools, Machinery and Equipment — Cost	453,541	1,589,897
Dies and Moulds — Cost Less Amortization	85,361	82,191
Automotive Equipment — Cost	29,789	31,538
Leasehold Improvements — Cost Less Amortization	13,190	12,425
	<u>728,248</u>	<u>2,157,371</u>
Less — Accumulated Depreciation	295,596	609,052
	<u>432,652</u>	<u>1,548,319</u>
 OTHER ASSETS (4)		
Manufacturing Rights, Development Expenses, Patents, Trademarks, Goodwill, Etc.	1	1,545,155
	<u>1</u>	<u>1,545,155</u>
 Total Assets	<u><u>\$3,018,046</u></u>	<u><u>\$8,387,366</u></u>

See notes to the Consolidated Balance Sheet, which form an integral part of the above and should be read in conjunction therewith.

CHINES (CANADA) LIMITED
 SUBSIDIARY COMPANIES ⁽¹⁾
 of the Province of Ontario)

HEET AS AT JUNE 30, 1966
 (figures for 1965)

LIABILITIES

	1966	1965
CURRENT LIABILITIES		
Accounts and Notes Payable and Payments in Transit	\$ 681,039	\$2,270,978
Bank Loans	—	663,011
Sales Taxes and Employees' Deductions Payable	13,620	17,763
Advances from Finance Companies — Secured (5)	102,876	13,886
Loans Payable — Shareholders	11,097	35,380
Loans Payable — Others	—	29,941
Mortgages and Liens Payable — Current Portion (6)	28,340	1,200
	<u>836,972</u>	<u>3,032,159</u>
LONG TERM LIABILITIES		
Mortgages and Liens Payable (6)	71,240	84,900
7% Convertible Sinking Fund Debentures Series "A"	—	738,500
7% Convertible Sinking Fund Debentures Series "B"	—	540,000
7% Convertible Sinking Fund Debentures Series "C"	—	600,000
6¾% Subordinated Notes Series "A"	—	1,000,000
	<u>71,240</u>	<u>2,963,400</u>
OTHER LIABILITIES	—	229,435
TOTAL LIABILITIES	<u>\$ 908,212</u>	<u>\$6,224,994</u>

SHAREHOLDERS' EQUITY

AUTHORIZED CAPITAL (8)

Common Shares	
3,000,000 Shares Without Par Value	
Preference Shares	
200,000 Convertible, 6% Cumulative, with a par value of \$10. each	
100,000 Redeemed and Cancelled April 26, 1966	
100,000	

ISSUED CAPITAL (7)

1,042,681 5/20 Common Shares Without Par Value	1,352,892	1,263,892
(1965 — 989,181 5/20 Shares)		
100,000 Preference Shares	—	1,000,000
(Redeemed April 26, 1966)		
	<u>1,352,892</u>	<u>2,263,892</u>

SURPLUS

Earned Surplus (Deficit)	\$448,613	(442,993)
Appraisal Surplus — Land	63,161	63,161
Contributed Surplus	245,168	245,168
Capital Surplus	Nil	33,144

Total Shareholders' Equity \$2,109,834 \$2,162,372

Total Liabilities and Shareholders' Equity \$3,018,046 \$8,387,366

Contingent Liabilities:— \$30,022 (9)

Approved on Behalf of the Board of Directors:

JACK TRAMIEL DIRECTOR MANFRED KAPP DIRECTOR

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 1966

- (1) The accounts of the following wholly-owned subsidiaries are included in the consolidated statements:

Associated Tool and Manufacturing Company Limited and its Wholly-Owned Subsidiary	
Shelburne Tool Company Limited	— Toronto, Ontario
Belpree Company Limited	— Toronto, Ontario
Commodore Drycopy, Inc.	— Freeport, New York
Commodore Drycopy Limited	— Toronto, Ontario
Commodore Business Machines, Inc.	— Freeport, New York
Humber Typewriters and Business Equipment Limited	— Toronto, Ontario
Pearlsound Distributors Limited	— Toronto, Ontario

The Consolidated Statements for 1966 do not include the accounts of Willy Feiler Zahl-Und Rechenwerke GMBH which were included in the 1965 Consolidated Statements. This subsidiary was sold on April 26, 1966.

For the purpose of consolidation, the current assets and all liabilities of the foreign subsidiaries have been converted at the rate of exchange prevailing at the balance sheet date, and expenses and revenues at the average rate of exchange for the year. The fixed assets have been converted at the rate of exchange prevailing at the time of acquisition.

- (2) Investments in other corporations:

Commodore Industries Limited — Republic of Ireland
Substantially all the assets of Commodore Industries Limited have been sold and all liabilities have either been paid or provided for in the accounts of the Parent Company. As a result the investment in this non-operating subsidiary is being carried at the nominal value of \$1.00.

- (3) Discounts, Rebates and Deposits Receivable:

— Discounts, Rebates and Deposits Receivable — Trade	\$25,714
— Holdback Receivable — as per an agreement between the company and the purchaser of one of the company's wholly-owned subsidiaries, an amount of \$250,000.00 of the purchase price is being held back for a period of one year from April 26, 1966, against which contingencies, if any, arising out of the agreement of sale may be set off.	250,000
	<u>\$275,714</u>

- (4) During the fiscal year 1966, the company discontinued the practice of capitalizing intangible assets and wrote all such existing assets down to a value of \$1.00.

- (5) Advances from finance companies are secured by the assignment of book debts of a subsidiary.

- (6) Mortgages and liens payable

Mortgage — Collaterally secured by a first charge against land and buildings owned by a subsidiary — Interest @ 7½% — balance of principal is due on June 1, 1970	\$69,000
Mortgage — Collaterally secured by a charge against the chattels of a subsidiary — Interest @ 6%. The final payment is due on March 1, 1967	14,900
Lien Note — Secured by equipment purchased by a subsidiary during the fiscal year	15,680
TOTAL	<u>\$99,580</u>

Notes to the Consolidated Balance Sheet (Cont'd)

(7) Shares issued during the year ended June 30, 1966 are as follows:

COMMON SHARES

BALANCE — as at July 1, 1965	\$1,263,891.88	989,181 5/20 shs.
Add — Conversion of Series "A" Debentures	14,000.00	3,500
— Issued pursuant to an agreement completed on April 26, 1966 as part of the consideration paid on the redemption of debentures, subordinated notes and preference shares	75,000.00	50,000
BALANCE — as at June 30, 1966	<u>\$1,352,891.88</u>	<u>1,042,681 5/20 shs.</u>

PREFERENCE SHARES

BALANCE — as at July 1, 1965	\$1,000,000.00	100,000 shs.
Deduct — Redemption of outstanding preference shares (April 26, 1966)	<u>1,000,000.00</u>	<u>100,000</u>
BALANCE — as at June 30, 1966	<u>Nil</u>	<u>Nil</u>

(8) The following shares have been reserved:

- (a) For the exercise of share purchase warrants which entitle the holders thereof to purchase fully-paid, non-assessable common shares at the exercise price on or before the dates at which the warrants become void:—

<i>Series</i>	<i>Void After</i>	<i>Warrants Issued</i>	<i>Exercise Price</i>	<i>Warrants Outstanding</i>	<i>Shares Reserved</i>
"A"	Nov. 1, 1974	200,000	\$4.50	199,200	
"B"	May 1, 1975	120,000	5.50	120,000	
"C"	Apr. 1, 1976	120,000	5.50	<u>120,000</u>	439,200 Shs.

- (b) For options granted to employees to purchase fully paid and non-assessable common shares:—

At \$4.05 per share	3,900 Shs.
At \$1.50 per share	<u>100,00 Shs.</u>

TOTAL SHARES RESERVED

543,100 Shs.

- (9) One of the wholly-owned subsidiaries is contingently liable for letters of credit outstanding and not due, for merchandise not received as at the Balance Sheet date.
- (10) Estimated Income Tax Refunds Receivable are subject to review and assessment by the appropriate governmental authorities.
- (11) The Parent Company has a tax-loss-carry-forward in the amount of \$667,009 which may be used to reduce future taxation.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES



STATEMENT OF CONSOLIDATED EARNINGS
FOR THE YEAR ENDED JUNE 30, 1966
(with comparative figures for 1965)

	1966	1965
REVENUES	<u>\$6,389,366</u>	<u>\$7,726,531</u>
GROSS PROFIT	<u>\$1,496,471</u>	<u>\$1,528,556</u>
EXPENDITURES		
Selling Expenses	932,617	779,966
Managing Directors' Salaries	79,359	47,792
Directors' Fees	1,650	2,150
General and Administrative Expenses	316,906	549,279
Exchange Adjustments	(10,298)	8,261
Depreciation Charges	88,096	314,492
	<u>\$1,408,330</u>	<u>\$1,701,940</u>
NET PROFIT (LOSS) — OPERATIONS	88,141	(173,384)
OTHER INCOME		
*Investment Income	342,750	—
	<u>\$ 430,891</u>	<u>(\$ 173,384)</u>
OTHER EXPENSES		
Financial Expenses		
Interest on Long Term Notes	—	27,453
Interest on Debentures and Subordinated Notes	118,081	187,073
Amortization of Cost of Issue of Debentures and Notes	12,165	12,165
Other Financial Expenses	105,988	152,685
	<u>\$ 236,234</u>	<u>\$ 379,376</u>
NET PROFIT (LOSS) BEFORE INCOME TAXES AND NON-RECURRING GAINS (LOSSES)	194,657	(552,760)
PROVISION FOR INCOME TAXES	4,500	—
	<u>190,157</u>	<u>(552,760)</u>
Non-Recurring Gains (Losses) and Adjustments related to prior years' operations and transactions (Net)	<u>1,379,388</u>	<u>(501,334)</u>
NET PROFIT (LOSS)	<u>\$1,569,545</u>	<u>(\$1,054,094)</u>

*The above amount represents dividends received from a wholly-owned subsidiary which was sold on April 26, 1966.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED SURPLUS
FOR THE YEAR ENDED JUNE 30, 1966
(With comparative figures for 1965)



	1966	1965
EARNED SURPLUS (DEFICIT)		
SURPLUS (DEFICIT) — as at July 1 (Opening)	(\$442,993)	\$615,267
Net Profit (Loss) for the Year	1,569,545	(1,054,094)
Transferred from Capital Surplus	33,144	—
	<u>1,159,696</u>	<u>(438,827)</u>
Stock Dividend #1 on Common Shares	—	4,166
Deletion of surplus of Subsidiary sold on April 26, 1966 (previously consolidated)	<u>711,083</u>	<u>—</u>
SURPLUS (DEFICIT) — as at June 30	<u>\$ 448,613</u>	<u>(\$442,993)</u>
CONTRIBUTED SURPLUS		
BALANCE — as at June 30	<u>\$ 245,168</u>	<u>\$ 245,168</u>
CAPITAL SURPLUS		
BALANCE — as at July 1 (Opening)	33,144	33,144
Transferred to Earned Surplus	<u>33,144</u>	<u>—</u>
BALANCE — as at June 30	<u>Nil</u>	<u>\$ 33,144</u>
APPRAISAL SURPLUS		
Excess of appraised value of land over cost as per appraisal made by M. Goldman Real Estate Limited on April 23, 1965		
BALANCE — as at June 30	<u>\$ 63,161</u>	<u>\$ 63,161</u>

Auditors' Report

To the Shareholders,
Commodore Business Machines (Canada) Limited,
Toronto, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiaries as at June 30, 1966 and the statement of consolidated earnings and the statements of consolidated surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statements present fairly the financial position of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiary companies as at June 30, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent, in all material respects, with that of the preceding year except as noted in Note (4) to the balance sheet, a change with which we concur.

Respectfully submitted,

ROSE & HARRISON,
Chartered Accountants

Toronto, September 8, 1966.

Vince: Story please. JS

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COMMODORE BUSINESS MACHINES (CANADA) LIMITED

946 Warden Avenue, Scarborough, Ontario

Commodore Business Machines (Canada) Limited

Head Office

946 Warden Avenue - Scarborough, Ontario

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual and a Special General Meeting of the shareholders of Commodore Business Machines (Canada) Limited (hereinafter called the "Company") will be held in the Mayfair Room of the King Edward Hotel, 37 King Street East, Toronto, Ontario, on Tuesday, the 26th day of April, 1966, at the hour of 10:30 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the Consolidated Balance Sheet of the Company and its wholly-owned Subsidiaries as at June 30, 1965, the Statement of Consolidated Earnings and the Statements of Consolidated Surplus for the year ended on the said date and the reports of the Directors and auditors thereon;
2. To appoint auditors and authorize the Directors to fix their remuneration;
3. To consider and if thought fit, to approve, ratify, sanction and confirm, subject to such amendments and/or additions and/or changes, if any, as may be approved at the Meeting, an agreement (hereinafter referred to as the "Sale Agreement") dated March 17th, 1966, made between the Company as vendor and Litton Industries, Inc., (hereinafter referred to as "Litton") as purchaser, providing, among other things, for the sale by the Company and the purchase by Litton, or one or more wholly-owned subsidiaries of Litton, to be designated by Litton:
 - (i) of all the issued and outstanding shares of the capital stock of Fenix Manufacturing Limited, which Company is the owner of all the issued and outstanding capital stock of Willy Feiler Zaehl und Rechenwerke GmbH, for the sum of \$2,858,000;
 - (ii) of all of the right, title and interest of the Company or any of its Subsidiaries in and to the agreement or arrangement with Office Electronic Machines Ltd. covering the exclusive right to distribute in North America the adding machines manufactured by Willy Feiler Zaehl und Rechenwerke GmbH for the price of \$500,000;

(iii) of all of the right, title and interest in and to the sterling adding machine and the decimal/sterling adding machines being manufactured, assembled and developed by the Company through its subsidiary, Commodore Industries, Ltd. of Shannon, Ireland, together with all plans, drawings, specifications, tools, dies, jigs, patterns, make-ups, models, prototypes and patents, patent applications or inventions, know-how and any and all other matters and things relating thereto, including all research and development, for the price of \$300,000;

all on the terms and conditions contained in the Sale Agreement.

4. To consider and, if approved, to confirm with or without variation a resolution passed by the Directors of the Company on the 10th day of August, 1965, decreasing the number of Directors from nine to five and providing that three of the Directors shall constitute a quorum for the transaction of business, and amending, modifying and revising all prior by-laws, resolutions and proceedings of the Company inconsistent therewith;
5. To elect Directors;
6. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto the 11th day of April, 1966.

By Order of the Board

MANFRED KAPP

Secretary

- Notes:
1. As a substantial representation of shareholders is desired, if you are not able to be present personally at the meeting, please sign and return in the envelope provided for that purpose the enclosed Instrument of Proxy.
 2. Copies of the Sale Agreement will be available for inspection by shareholders of the Company at the offices of the Company, 946 Warden Avenue, Scarborough, Ontario, at any time during ordinary business hours up to the time of this meeting, and thereafter at the meeting.
 3. Copies of the aforementioned Consolidated Balance Sheet, Statement of Consolidated Earnings and Statements of Consolidated Surplus were mailed to Shareholders of the Company on March 9, 1966. Additional copies are available to Shareholders on request.